April 11, 2006

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: Proposed Guidance – Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices 71 FR 2302 (January 31, 2006); Docket No. OP-1248

Dear Ms. Johnson:

As a community banker, I appreciate the opportunity to comment on the proposed guidance entitled *Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices* (Guidance). I understand the federal regulatory agencies have concern 'that some' institutions have high and increasing concentrations of commercial real estate loans on their balance sheets; however, I believe the proposed Guidance will have a serious impact on community banks and local economies in general.

The thrust of the Guidance seems to discourage commercial real estate lending. Secured real estate lending, including commercial real estate, has been a means of diversification for our Bank. If such loans are not available then we will have to look to other types of lending which historically have been more risky. If the message is perceived to be that commercial lending has great regulatory risk, then such loans will significantly diminish, which could lead to a downturn in our local economies. Our Bank, as does most community banks, plays an essential role in creating local economic growth by providing credit to small and medium-sized businesses for construction and land development. Forcing banks to reduce or abandon commercial real estate lending could force smaller business owners to turn to more expensive forms of credit.

The proposed guidance appears to cover all construction loans, including 1-4 family residential construction. Our Bank extends some 1-4 family residential construction credit directly to individuals (not builders), i.e. the soon-to-be homeowners. We hope these types of loans would be excluded from the threshold calculations. These loans seem to fit the definition of owner-occupied (borrower's ultimate purpose for the loan) properties because their 'risk profiles are less influenced by the condition of the general commercial real estate market'.

I also hope the Guidance will make it very clear that if the concentration thresholds are exceeded it does not automatically require a capital increase. Any increase should be in the context of the circumstances of the particular institution. The proposed Guidance seems to allow the banking regulators to require banks to increase their capital levels simply because there is a concentration of commercial real estate loans. The Guidance addresses underwriting standards; however, it is unclear if strict, conservative underwriting standards would even make a difference.

Thank you again for the opportunity to comment on the proposed guidance. In summary, I oppose the Guidance as proposed and hope you consider my comments.

Sincerely,

Penny L. Buchanan
Senior Vice President
First American Bank
Purcell, Norman, Goldsby, Maysville, Garber, Taloga, Moore, and Woodward, Oklahoma